

Aldbury Parish Council

Policy statement of internal control and annual review of the effectiveness of internal control

Introduction

The authority has responsibility under regulation 5(1) the Accounts and Audit Regulations 2015, for conducting, at least annually, a review of the effectiveness of the system of internal control.

<http://www.legislation.gov.uk/ukxi/2015/234/contents/made>

Proper Practices are defined within The Practitioners Guide [file \(nalc.gov.uk\)](http://www.nalc.gov.uk)

Adequate and Effective Systems, Review of Effectiveness

The review is informed by the work of:

- The Council and its Committees (if applicable)
- The Clerk/Responsible Finance Officer
- The Internal Auditor (separate document)
- The External Auditor (separate document)

Annual review of the control systems enables the council to accurately complete the section 2 of the Annual Governance and Accountability return (AGAR).

" We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed it's effectiveness'

The Effectiveness of the System of Internal Control

The system of internal controls at Aldbury Parish Council currently consists of:

- Appointment of Clerk and Responsible Financial Officer
- Adoption of Code of Conduct for Members
- Adoption of model NALC Standing Orders and Financial Regulations
- Adoption of Financial and Management Risk Assessment
- Asset Register and annual review of accuracy
- Annual review of effectiveness of internal controls
- Annual review of the effectiveness of the internal auditor
- Review of internal audit arrangements and implementation of any recommendations
- Regular scrutiny of financial records and proper arrangements for the approval of expenditure as per adopted Financial Regulations
- Procedures in place to ensure that direct debits and standing orders are reviewed and approved by Council

- Adherence to the internal financial control systems detailed in the financial regulations
- Scrutiny of calculations provided by payroll provider
- Regular employer returns to HM Revenue and Customs
- Annual or when required completion of VAT return and the RFO ensuring they are up to date in matters of VAT and other taxation issues as necessary
- Monthly budget monitoring statements provided to council
- Preparation and dissemination of regular financial reports comparing actual expenditure against forecasts
- Regular review of such reports by RFO and by Council members
- Procedures for dealing with and monitoring the Council's Grants scheme
- Procedures for document receipt, circulation, response, handling and filing
- Procedures in place for recording and monitoring Members' Interests and Gifts and Hospitality received
- Sector qualified Clerk (Clerk obtained qualifications in December 2023)
- Training and continuing professional development of the clerk and members budgeted for

1. SCOPE OF RESPONSIBILITY

Aldbury Parish Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Regulation 3 of the Accounts and Audit Regulations 2015 states that 'a relevant authority must ensure that it has a sound system of internal control which —

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives
- b) ensures that the financial and operational management of the authority is effective
- c) includes effective arrangements for the management of risk'

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk and reduce it to a reasonable level rather than to eliminate all risk of failure, to achieve policies, aims and objectives. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is on-going, and the process is designed to identify and prioritise the risks to the authority's policies, aims and objectives and to evaluate and manage the risks accordingly.

3. RESPONSIBILITY FOR THE INTERNAL CONTROL ENVIRONMENT

3.1 The Council

The council as a corporate body is responsible under statute for certain decisions which cannot be delegated, setting of the precept and approval of the annual return & governance statement. It may delegate responsibility for dealing with the consideration

and approval of all other financial matters to the officers, subject to the approval of delegation arrangements. The council has made and will keep under review Financial Regulations which includes provisions relating to contracts. The council's System of Internal Control is ancillary to and underpins the Financial Regulations and Standing Orders. The council must appoint a Chair who is responsible for the smooth running of meetings and ensures that all council decisions are lawful with the advice of the Parish Clerk. Neither the Chair nor any individual councillor may make decisions on behalf of the council.

The council must appoint an independent Internal Auditor and

- confirm the scope of the internal audit; approve the internal audit plan setting out proposals for the internal auditor; confirm that this properly takes account of the corporate risk (i.e. the controls and procedures within the council which minimise the risk of the council not being able to function or carry out what it sets out to do)
- agree that the Terms of Reference proposed in the audit plan, together with the inspections carried out by the Internal Auditor, the Chair and the Proper Officer of the parish council, are adequate and effective for the council's internal audit purposes.

The Chair shall sign each page of the minutes once approved at the council meetings. Decisions are made in accordance with the Standing Orders (re-adopted annually) and Financial Regulations approved by the council.

The council approves a budget for the following year at the January's meeting which also approves the level of precept for the following financial year. The RFO shall provide the council, at each full council meeting, with a statement of receipts and payments to date. In addition, the RFO will provide detailed budget report (comparing actual expenditure to the appropriate date against that planned and as shown in the budget) prior to each meeting together with bank reconciliation.

3.2 Officers – Financial reporting

The council has appointed a Parish Clerk who as Proper Officer acts as the council's advisor and administrator. The Clerk is the also council's Responsible Financial Officer and is responsible for administering the council's finances. The Clerk is responsible for the day-to-day compliance with laws and regulations that the council is subject to and for managing risks. The Clerk also ensures that the council's procedures, control systems and polices are maintained.

The duties of the Clerk / RFO are laid down in a Job Description which is reviewed on an annual basis or when required by nominated Staffing Committee.

The Clerk / RFO shall check and authorise payments prior to their presentation for signature in accordance with the approved financial procedures.

The Clerk/RFO submits all the requested information to the internal and external auditor by the required date.

The Clerk/RFO arranges for public notices to be displayed.

The Clerk/RFO retains all relevant documents relating to finances in accordance with best practice and the council's Document Retention Policy (i.e Annual Return, VAT Returns, PAYE/NIC information, public notices, Fixed Asset register, Risk assessments, accounts and supporting information).

3.3 Internal Audit- internal and external controls

The council will appoint a suitably qualified and experienced Independent Internal Auditor who will report to the council in accordance with the scope of internal audit sufficient to provide an adequate level of assurance for the council to complete assertions 2 and 6 in its Annual Governance Statement.

The effectiveness of the internal audit shall be reviewed annually, and the council agrees the appointment of the Internal Auditor.

The scope of the work of the Internal Auditor is reviewed annually; the review and the appointment are minuted.

The reports of the Internal Auditor are considered at the full council meeting.

3.4 External Auditor

The council's External Auditors are appointed in accordance with the current statutory accounting and audit framework. Authority's Audit Appointment for 2022-23 to 2026-2027 is PKF Littlejohn LLP.

The council shall display public notices of the exercise of electors' rights and conclusion of audit as required by regulation.

4. FINANCIAL AND ACCOUNTING PROCEDURES

4.1 Financial Regulations

The financial regulations will be reviewed for continued relevance and amended where necessary via approval by the parish council annually in May.

4.2 Cheque/Payment Signatories

Two councillors sign all cheques, the signatories also initial the cheque stubs. The signatories ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice.

Internet banking payments are set up by the Clerk and authorised by two councillors (invoices are provided for reference). Payments are listed and presented to all councillors before the next full council meeting. For business continuity considerations the following Councillor is able to submit payments: Cllr Nick de la Bedoyere.

4.3 VAT Repayment Claims

The Clerk/RFO ensures that proper VAT invoices are received where VAT is payable and maintains a VAT account to show that the correct amount of VAT is reclaimed in April or when required.

4.4 Cheque Handling/Security

The Clerk will receive all income. All cheques shall be kept safely in a locked place and shall be banked within a month.

All income shall be reported to the full council meeting. The RFO will ensure the amount of the precept is correct and that all instalments are received.

4.5 Salaries and other Staff Payments

Salaries and other staff payments shall be made each month by BACS. Payments shall be paid on the basis of information agreed and reviewed annually or when required by the Staffing Committee. An external payroll company will be used and will provide the information to the RFO for payment of salaries and requirements to HMRC and pension contributions.

Mileage and any other expenses shall be reimbursed in accordance with rates approved by the council.

Upon the production of appropriate receipts, out of pocket expenses for small day to day items appropriate to the duties of the staff member shall be reimbursed.

4.6 Budgetary Control - budgetary control

The Clerk (RFO) will ensure that all accounts certified for payment are endorsed within the correct budgetary centre.

The Clerk (RFO) shall every month reconcile statements of the Parish council's accounts taken from the information contained in the cash book with copies of the relevant bank statements. If bank statement is not yet available for Council meeting then the Clerk/RFO shall reconcile the transaction list with the cashbook entries.

The full council shall receive a budget report at each meeting alongside a financial statement or a list of transactions and a report of bank reconciliation.

The Council is to provide information to the Clerk/RFO of any anticipated projects for the following financial year in September/October for the purposes of budgetary control review and the preparation of a draft budget and precept requirement for the following full council meeting (no later than December each year). The Parish council will review (amend if necessary) and agree the draft budget and consequent precept for the next financial year.

4.7 Procurement – procurement framework

Financial Regulations provide a framework and set procedures for dealing with contracts of certain values. Working beneath that framework, provision needs to be made for the day-to-day operational work of the Parish council to be administered, and to that end the Clerk is authorised to issue orders for office and other supplies to support the Parish council's administration and day to day operation within agreed budgets.

5. ASSET MANAGEMENT

The council's Asset Register is to be reviewed on an annual basis full council. No property shall be sold, leased or otherwise disposed of without the authority of the council.

The adequacy of insurance of the Parish council's assets is considered annually in advance of the insurance renewal.

6. RISK MANAGEMENT

The council's base Risk Assessment of its land, property, and activities, are to be reviewed on an annual basis by the full council.

In September 2025, Aldbury Parish Council was subject to fraud involving an unauthorised Direct Debit collected from its bank account.

The fraudulent transaction was identified promptly, and a Direct Debit Indemnity Claim was submitted to the bank.

Following this incident, the Council sought guidance from its bank regarding measures to mitigate future risk. It was agreed that the Clerk and all members who are authorised account signatories will log into the online banking portal regularly to monitor transactions and promptly identify any suspicious or unauthorised activity.

7. REVIEW OF EFFECTIVENESS

The council is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control. This role will be initiated by full council and incorporated within the annual work programme of the council's Internal Auditor. The findings of the annual review shall be reported to and considered by the council.

Reviewed and adopted by the Council: March 2026